

Trust Account Ledger Guide

Whether you are a property manager or a broker, if you maintain a trust account you know you are required to have a check register (a.k.a. general ledger), but did you know you must **also** keep ledgers? A ledger refers to a record for a specific transaction, owner and/or tenant, showing all money coming into and going out of the trust account.

Property Managers (or Brokers practicing property management) must have owner and tenant ledgers, while Brokers with trust accounts must have transaction ledgers.

PLEASE NOTE: Property Managers are required to have a trust account. Brokers, who are not practicing property management, may elect to use a trust account, but are not required to.

RULES & STATUTES:

Administrative Rules of Montana (ARM) – www.mtrules.org/gateway/chapterhome.asp?chapter=24%2E210
Montana Code Annotated (MCA) – http://leg.mt.gov/bills/mca_toc/index.htm

PROPERTY MANAGEMENT TRUST ACCOUNT LEDGERS

As of September 2007, the Administrative Rules of Montana were revised for property management trust account requirements. Property management trust accounts must have a ledger for each tenant and a ledger for each property owner.

ARM 24.210.805:

- (11) A chronological ledger must be kept for each tenant showing all rents, deposits, and disbursements. The record entries must clearly identify the parties to a transaction, the dates, and the amounts received. When disbursing funds, the date, payee, and the amount must be shown. A running balance must be shown after each entry.
- (12) A chronological record must be kept for each property owner showing all income, expenses, and disbursements. The record entries must clearly identify the parties to a transaction, the date, and the amounts received. When disbursing funds, the date, the payee, and the amount must be shown. A running balance must be shown after each entry.

If you are a property manager, or a broker practicing property management, please review **ARM 24.210.805** in its entirety regarding trust accounting requirements.

BROKER TRUST ACCOUNT LEDGERS

Brokers are still required to have transaction ledgers. The transaction ledgers must show the income and expenses as it pertains to a specific transaction.

ARM 24.210.426:

- (5)(j) A chronological record shall be kept to show the receipts and the disbursements as they affect a single, particular transaction. The record must include the names of the parties to a transaction, the date, and the amounts received. When disbursing funds, the date, payee, and amount must be shown. A running balance must be shown after each entry.

Please review **ARM 24.210.426** in its entirety regarding trust accounting requirements. Brokers, who also practice property management, please review **ARM 24.210.805** regarding property management trust accounting requirements.

PERSONAL FUNDS LEDGER

Personal funds are funds maintained in a trust account for the maintenance of the trust account itself. Generally, personal funds belong to the licensee and/or the company the licensee is working for. Example uses: purchasing checks for the account, paying bank fees, and interest accruals (if designated in the agreement with the owner, seller, and/or buyer). Up to \$1000 of personal funds are permitted to be in any single trust account. If there are no personal funds in the account and the trust account is debited for account maintenance expenses, it is considered commingling. This applies to both Broker and Property Manager trust accounts.

If you have personal funds in the trust account, you must also have a personal funds ledger. The record entries must clearly identify the parties to a transaction, the dates, and the amounts received. When disbursing funds, the date, payee, and the amount must be shown. A running balance must be shown after each entry.

What happens if I don't comply with the requirements?

CITE & FINES**37-51-324, MCA. Penalty for failure to comply with trust account requirements.**

(1) An employee of the department may issue a citation to a broker or property manager responsible for maintenance of a trust account for failure to comply with trust account maintenance requirements as provided by rule under 37-1-319(4). The fine is \$50 for each cited violation. The person who is issued a citation may pay the fine or file a written dispute of the violation with the board within 5 business days of the date of issuance. A person who refuses to sign and accept a citation but who does not file a written dispute of the violation is demonstrating unprofessional conduct.

COMPLAINTS

Not all trust account violations will be cited and fined. Per **ARM 24.210.643**, significant trust account violations shall be forwarded to the complaint screening panel. Significant violations may include:

- (a) an excessive number of violations in a single audit;
- (b) repeat violations; or
- (c) a single, severe violation.

If you have any questions, comments, and/or concerns:

Please contact the Board Office at dlibsdrre@mt.gov or (406) 841-2321.

Asking questions will not trigger an audit.